GLATFELTER P H CO
Form 10-K
March 09, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2011

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission file number 1-03560

P. H. Glatfelter Company

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-0628360**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
96 South George Street, Suite 520	**(717) 225-4711**
York, Pennsylvania 17401	*(Registrant s telephone number, including area code)*
(Address of principal executive offices)	

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on which registered**
Common Stock, par value $.01 per share	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No þ.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer þ	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Small reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ¨ No þ.

Based on the closing price as of June 30, 2011, the aggregate market value of the Common Stock of the Registrant held by non-affiliates was $699.6 million.

Common Stock outstanding on February 29, 2012 totaled 42,622,256 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in this Annual Report on Form 10-K:

Proxy Statement to be dated on or about March 29, 2012 (Part III).

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P. H. GLATFELTER COMPANY

ANNUAL REPORT ON FORM 10-K

For the Year Ended

December 31, 2011

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PART I

We make regular filings with the Securities and Exchange Commission (SEC), including this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. These filings are available free of charge on our website, www.glatfelter.com, and the SEC website at www.sec.gov. We also provide copies of our SEC filings at no charge upon request to Investor Relations at (717) 225-2724, ir@glatfelter.com, or by mail to Investor Relations, 96 South George Street, Suite 520, York, PA, 17401. In this filing, unless the context indicates otherwise, the terms we, us, our, the Company, or Glatfelter refer to P. H. Glatfelter Company and subsidiaries.

ITEM 1 BUSINESS

Overview Glatfelter began operations in 1864, and we believe we are one of the world s leading manufacturers of specialty papers and fiber-based engineered materials. Headquartered in York, Pennsylvania, we own and operate manufacturing facilities located in Pennsylvania, Ohio, Canada, Germany, the United Kingdom, France, and the Philippines.

Products Our three business units manufacture a wide array of specialty papers and fiber-based engineered materials including:

Specialty Papers with revenues from the sale of papers for carbonless and other forms, book publishing, envelopes, and engineered products such as papers for digital imaging, transfer, casting, release, postal, playing card, FDA-compliant food and beverage applications, and other niche specialty applications;

Composite Fibers primarily consists of single-serve coffee and tea filtration papers, metallized and self adhesive labeling papers, composite laminates used for decorative furniture and flooring applications, and technical specialties such as battery pasting papers, among others; and

Advanced Airlaid Materials with revenue from the sale of airlaid non-woven fabric-like materials used in feminine hygiene and adult incontinence products, cleaning pads and wipes, food pads, napkins, tablecloths, and baby wipes.

The markets served by the Composite Fibers and Advance Airlaid business units are characterized by attractive growth rates as the result of new and emerging

products, changing end-user customer preferences and evolving demographics. Specialty Papers serves more mature market segments, some of which are in decline.

As a result of our strategy to diversify sources of revenue and invest in growth businesses, revenue generated from Composite Fibers and Advanced Airlaid Materials represents an increasingly greater proportion of total revenue. For 2011, these business units comprised 45% of consolidated revenue compared with 30% in 2006.

Consolidated net sales and the relative net sales contribution of each of our business units for the past three years are summarized below:

Dollars in thousands	**2011**	2010	2009
Net sales	**$ 1,603,154**	$ 1,455,331	$ 1,184,010
Business unit contribution			
Specialty Papers	**54.6%**	57.9%	66.9%
Composite Fibers	**29.7**	28.8	33.1
Advanced Airlaid Materials	**15.7**	13.3	
Total	**100.0%**	100.0%	100.0%

Our strategies are focused on growing revenues, in part, by leveraging leading positions in key global growth markets including the single-serve coffee and tea markets and the feminine hygiene and adult incontinence markets. To ensure we are best positioned to serve these markets, we have made investments to increase production capacity and service offerings and intend to make additional future investments.

Product innovation is a critical component of our business strategy. During 2011, 2010 and 2009, we invested $11.7 million, $10.4 million and $8.0 million, respectively, in new product development activities. In each of the past three years, in excess of 50% of net sales were generated from products developed, enhanced or improved within the past five years.

Other key elements to our success include margin expansion, driven by cost reduction and continuous improvement initiatives, and the generation of strong and reliable cash flows. The strength of our balance sheet and generation of cash flows has allowed us to pursue strategic actions such as the $50 million investment to expand capacity in Composite Fibers and the $50 million share repurchase program approved and executed in 2011. We have a demonstrated ability to establish leading market positions through the successful acquisition and integration of complementary businesses. Since 2006, we have successfully completed and integrated four acquisitions. Our acquisition strategy complements our long-term strategy of driving growth in our markets.

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Our Business Units We manage our company as three distinct business units: (i) Specialty Papers (ii) Composite Fibers; and (iii) Advanced Airlaid Materials. Net tons sold by each business unit for the past three years were as follows:

	2011	2010	2009
Specialty Papers	**779,647**	764,670	738,841
Composite Fibers	**93,317**	90,350	80,064
Advanced Airlaid Materials	**87,951**	72,833	
Total	**960,915**	927,853	818,905

A discussion of each unit follows:

Specialty Papers Our North America-based Specialty Papers business unit focuses on producing papers for the following markets:

Carbonless & forms papers for credit card receipts, multi-part forms, security papers and other end-user applications;

Book publishing papers for the production of high quality hardbound books and other book publishing needs;

Envelope and converting papers for the direct mail market, shopping bags, and other converting applications; and

Engineered products for digital imaging, transfer, casting, release, postal, playing card, FDA-compliant food and beverage applications, and other niche specialty applications.

The market segments in which Specialty Papers competes have undergone significant and rapid consolidation over the past several years resulting in fewer producers. This business unit produces both commodity products (comprised of envelopes and certain forms) and higher-value-added specialty products.

Specialty Papers revenue composition by market consisted of the following for the years indicated:

In thousands	**2011**	2010	2009
Carbonless & forms	**$ 368,582**	$ 359,033	$ 320,088
Book publishing	**166,506**	168,155	176,646
Envelope & converting	**170,380**	157,202	146,812
Engineered products	**166,660**	155,257	143,490
Other	**2,950**	2,967	4,879
Total	**$ 875,078**	$ 842,614	$ 791,915

Although many of the markets served by Specialty Papers are mature and, in many instances, declining, we have been successful at maintaining this unit s shipments through new product and new business development initiatives while leveraging the flexibility of our operating

assets to efficiently respond to changing customer demands. In each of the past seven years, our flexible asset base, new product development capabilities and superior customer service offerings allowed us to outperform the broader uncoated free sheet market in terms of volumes shipped.

We believe we are one of the leading suppliers of carbonless and book publishing papers in the United States. Although the markets for these products are declining, we have been successful in executing our strategy to replace this lost volume with products such as envelope and converting papers, and other value-added specialty products. Specialty Papers also produces paper that is converted into specialized envelopes in a wide array of colors, finishes and capabilities. While this market is also declining, we have leveraged our customer service capabilities to grow our market share in each of the last three years.

Specialty Papers   highly technical engineered products include those designed for multiple end uses, such as papers for pressure-sensitive postage stamps, greeting and playing cards, conical cups, digital imaging applications and for release paper applications. Such products comprise an array of distinct business niches that are in a continuous state of evolution. Many of these products are utilized for demanding, specialized customer and end-user applications. Some of our products are new and higher growth while others are more mature and further along in the product life cycle. Because many of these products are technically complex and involve substantial customer-supplier development collaboration, they typically command higher per ton prices and generally exhibit greater pricing stability relative to commodity grade paper products.

The Specialty Papers business unit operates two integrated pulp and paper making facilities with the following combined attributes:

Uncoated Production Capacity (short tons)	Principal Raw Material (PRM)	Estimated Annual Quantity of PRM (short tons)
784,600	Pulpwood	2,347,000
	Wood- and other pulps	703,300

The pulp mills within this business unit have a combined pulp making capacity of 586,000 tons of bleached pulp per year. The principal raw material used to produce each facility s pulp is pulpwood, including both hardwoods and softwoods. Pulpwood is obtained from a variety of locations including the states of Pennsylvania, Maryland, Delaware, New Jersey, New York, West Virginia, Virginia, Kentucky, Ohio and Tennessee. To protect our sources of pulpwood, we actively promote conservation

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and forest management among suppliers and woodland owners. In addition to critical raw materials, the cost to produce Specialty Papers products is influenced by energy costs. Although the business unit generates all of its steam needed for production at both facilities and generates more power than it consumes at the Spring Grove, PA facility, it purchases approximately 18% of its electricity needed for the Chillicothe, OH mill. The facilities source of fuel is primarily coal and, to a lesser extent, natural gas.

Since becoming a member of PJM Interconnection, a federally regulated regional transmission organization that coordinates the movement and ensures reliability of wholesale electricity in its region, excess electricity generated by Spring Grove is sold to the high-voltage electricity grid. As a member, we are committed to providing capacity to the grid and agree to sell excess power at market prices. Accordingly, our margin earned from energy sales will be subject to market volatility associated with the price at which energy is sold together with volatility in input costs, primarily related to coal.

The Spring Grove facility includes five uncoated paper machines as well as an off-line combi-blade coater and a Specialty Coater (S-Coater), which together provide annual production capacity for coated paper of approximately 68,000 tons. Since uncoated paper is used in producing coated paper, this is not additional capacity. The Chillicothe facility operates four paper machines producing uncoated and carbonless paper. Two of the machines have built-in coating capability which along with three additional coaters at the facility provide annual coated capacity of 130,000 tons.

In the carbonless paper market, we compete with Appleton Papers and, to a lesser extent, foreign importers including Fibria Celulose (formerly Votorantim Celulose e Papel) and Asia Pulp and Paper Co. We believe we are one of the leading producers of book publishing papers and compete in these markets with Domtar Corp. and North Pacific Paper (NORPAC), among others. In the envelope sector we compete with International Paper, Domtar Corp., Boise Inc. and Evergreen Packaging, among others. In our Specialty Papers engineered products markets, competition is product line specific as the necessity for technical expertise and specialized manufacturing equipment limits the number of companies offering multiple product lines. We compete with specialty divisions of large companies such as International Paper, Domtar Corp., Boise Inc., NewPage Corp. and Sappi Limited, among others. Service, product performance, technological advances and product pricing are important competitive factors with respect to all our products. We believe our reputation in these areas continues to be excellent.

To be successful in the market environment in which Specialty Papers operates, our strategy is focused on:

- employing our new product and new business development capabilities to meet changing customer demands and ensure optimal utilization of capacity;
- aggressively employing methodologies to manage pressures on margins presented by more mature markets;
- leveraging our flexible operating platform to optimize product mix by shifting production among facilities to more closely match output with changing demand trends;
- utilizing ongoing continuous improvement methodologies to ensure operational efficiencies; and
- maintaining superior customer service.

Composite Fibers Our Composite Fibers business unit, based in Gernsbach, Germany, serves customers globally and focuses on higher value-added products in the following markets:

- **Food & Beverage** paper primarily used for single-serve coffee and tea products and other applications;

Metallized products used in the labeling of beer bottles, innerliners, gift wrap, self-adhesive labels and other consumer product applications;

Composite Laminates papers used in production of decorative laminates, furniture and flooring applications; and

Technical Specialties a diverse line of paper products used in batteries, medical masks and other highly-engineered applications. We believe this business unit maintains a market leadership position in the single-serve coffee and tea markets, as well as the composite laminates market, and we have the second largest market share globally for metallized products. Composite Fibers revenue composition by market consisted of the following for the years indicated:

In thousands	**2011**	2010	2009
Food & beverage	**$ 284,748**	$ 242,882	$ 233,899
Metallized	**95,276**	88,753	81,388
Composite laminates	**53,334**	50,801	46,442
Technical specialties and other	**42,671**	36,781	30,366
Total	**$ 476,029**	$ 419,217	$ 392,095

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We believe many of the market segments served by Composite Fibers, particularly single-serve coffee and tea, present attractive growth opportunities by capitalizing on evolving consumer preferences, expanding into new emerging geographic markets and by gaining market share through quality product and service offerings. Many of this unit s papers are technically sophisticated and most, except for metallized papers, are extremely lightweight and require specialized fibers. Our engineering capabilities, specifically designed papermaking equipment, use of specialized fibers and customer orientation position us well to compete in these global markets.

The Composite Fibers business unit is comprised of three paper making facilities (Germany, France and England), metallizing operations (Wales and Germany) and a pulp mill (the Philippines) with the following combined attributes:

Production Capacity (short tons)	Principal Raw Material (PRM)	Estimated Annual Quantity of PRM (short tons)
68,400 lightweight	Abaca pulp	18,100
	Wood pulp	46,000
	Synthetic fiber	12,800
27,550 metallized	Base stock	30,100
15,300 abaca pulp	Abaca fiber	20,900

Composite Fibers uses highly specialized inclined wire paper machine technology and we believe we currently maintain approximately 25% of the global inclined wire capacity.

The primary raw materials used in the production of our lightweight papers are abaca pulp and wood pulp. Abaca pulp is a specialized pulp with limited sources of availability. This abaca pulp production process provides a unique advantage by supplying a key raw material used by our Composite Fibers business unit. Sufficient quantities of abaca pulp and the source fiber are required to support growth in this business unit. In the event the supply of abaca fiber becomes constrained or when production demands exceed the capacity of the Philippines mill, alternative sources and/or substitute fibers are used to meet customer demands.

In addition to critical raw materials, the cost to produce Composite Fibers products is influenced by energy costs. Although the business unit generates all of its steam needed for production, it purchases approximately 89% of its electricity.

In Composite Fibers markets, competition is product line specific as the necessity for technical expertise and specialized manufacturing equipment limits the number of companies offering multiple product lines. We believe we

have leading market positions for paper used in single-serve coffee and tea products and compete with companies such as Ahlstrom and Purico. In composite laminates we compete with PdM, a division of Schweitzer-Maudit, Purico and MB Papeles and for metallized products, competitors include Vacumet, AR Metallizing, Amsterdam Metallized Products, and Wenzhou Protec Vacuum Metallizing Co. Ltd.

Our strategy in Composite Fibers is focused on:

- capturing global growth in food & beverage, technical specialties and composite laminates;
- expanding value-added production capacity by investing in state-of-the-art inclined wire technology to better ensure our capacity supports consistent growth of markets;
- capitalizing on rapidly growing markets;
- enhancing product mix across all of the business unit s markets by utilizing new product and new business development capabilities;

- implementing continuous improvement methodologies to increase productivity, reduce costs and expand capacity; and

- ensuring readily available access to specialized raw material requirements to support projected growth.

The recently announced $50 million investment to expand our inclined wire capacity by nearly 20%, or approximately 10,500 short tons, by converting a flat wire machine to a state-of-the-art inclined wire machine demonstrates our commitment to realizing the growth presented in this business unit s markets. The project is expected to be completed in the first quarter of 2013 and the new machine is expected to begin production in the second quarter of 2013. We expect to achieve a 15% to 20% after-tax return on this investment within three years.

Advanced Airlaid Materials was formed in connection with our February 2010 acquisition of Concert Industries Corp. (Concert). Advanced Airlaid Materials is a leading global supplier of highly absorbent cellulose-based airlaid non-woven materials used to manufacture consumer and industrial products for growing global end-user markets. These products include, but are not limited to:

- feminine hygiene;

- adult incontinence;

- home care such as specialty wipes;

- table top and towels; and

- food pads and other.

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Advanced Airlaid Materials affords us the opportunity to grow with customers who are industry leading consumer product companies for feminine hygiene and adult incontinence products. Advanced Airlaid Materials holds leading market share positions in many of the markets it serves, excels in building long-term customer relationships through superior quality and customer service programs, and has a well-earned reputation for innovation and its ability to quickly bring new products to market.

Advanced Airlaid Materials revenue composition by market consisted of the following for the years indicated:

In thousands	**2011**	2010
Feminine hygiene	**$ 206,724**	$ 157,691
Adult incontinence	**6,083**	6,146
Home care	**24,492**	17,902
Food pads	**9,526**	8,200
Other	**5,222**	3,560
Total	**$ 252,047**	$ 193,499

Sales for the feminine hygiene category accounted for 82% of Advanced Airlaid Material s revenue in 2011. Sales in this market segment are to a small group of large, leading global consumer products companies. This market is considered to be more growth oriented driven by population growth in certain geographic regions, consumer preferences and suppliers ability to provide innovative products. In developing regions, demand is also influenced by increases in disposable income and cultural preferences.

The Advanced Airlaid Materials business unit operates state-of-the-art facilities in Gatineau, Quebec, Canada and Falkenhagen, Brandenburg, Germany. The Gatineau location consists of two airlaid production lines employing multi-bonded and thermal-bonded airlaid technologies and, with the recently completed investment, two proprietary single-lane festooners. The Falkenhagen location operates three multi-bonded production lines and three proprietary single-lane festooners.

The business unit s two facilities operate with the following combined attributes:

Airlaid Production Capacity (short tons)	Principal Raw Material (PRM)	Estimated Annual Quantity of PRM (short tons)
102,300	Fluff pulp	72,000

In addition to the cost of critical raw materials, the cost to produce multi-bonded and thermal-bonded airlaid materials is impacted by energy costs. Advanced Airlaid Materials purchases all of its electricity and natural gas.

Advanced Airlaid Materials continues to be a technology and product innovation leader in technically demanding segments of the airlaid market, most notably

feminine hygiene. We believe that its facilities are among the most modern and flexible airlaid facilities in the world, which allows it to produce at industry leading operating rates. Its proprietary single-lane rotary festooning technology, developed in 2002, provides customers with product packaged for efficient use. This business unit s in-house technical expertise, combined with significant capital investment requirements and rigorous customer expectations creates large barriers to entry for new competitors.

The airlaid industry is made up of several producers, including Buckeye Technologies Inc., Georgia-Pacific LLC, Duni AB, Petropar SA, McAirlaid s Vliestoffe GmbH & Co. KG, and us.

The markets served by this business unit are characterized by attractive growth opportunities. To take advantage of this, our strategy is focused on:

- maintaining and expanding relationships with customers that are market-leading consumer product companies;

- expanding geographic reach of markets served;
- optimizing the use of existing production capacity;
- employing continuous improvement methodologies and initiatives to reduce costs and improve efficiencies; and
- capitalizing on our product and process innovation capabilities.

Additional financial information for each of our business units is included in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and in Item 8 Financial Statements and Supplementary Data, Note 23 including geographic revenue and long-lived asset financial information.

Balance Sheet We are focused on prudent financial management and the maintenance of a conservative capital structure and strong balance sheet. This includes:

- aggressively managing working capital to enhance cash flow from operations;
- making disciplined capital expenditure decisions; and
- monetizing the value of our timberland assets as opportunities warrant.

The success of these actions positions us with the flexibility to pursue strategic opportunities that will benefit our shareholders.

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Concentration of Customers For each of the past three years, no single customer represented more than 10% of our consolidated net sales. However, as discussed in Item 1A Risk Factors, one customer accounted for the majority of Advanced Airlaid Materials net sales in 2011 and 2010.

Capital Expenditures Our business is capital intensive and requires extensive expenditures for new and enhanced equipment. These capital investments are necessary to support growth strategies, research and development initiatives, environmental compliance, and for normal upgrades or replacements. For 2012, capital expenditures are estimated to be $95 million to $105 million. This includes $30 million to $35 million of the $50 million investment to expand capacity to serve Composite Fibers growth markets.

Environmental Matters We are subject to laws and regulations designed to protect the environment as well as human health and safety. We have, at various times, incurred significant costs to comply with these regulations, as new regulations are developed or regulatory priorities change. Currently, we anticipate that we could incur material capital and operating costs to comply with several air quality regulations including the U.S. EPA Best Available Retrofit Technology rule (BART; otherwise known as the Regional Haze Rule) and the Boiler Maximum Achievable Control Technology rule (Boiler MACT). For example, on March 21, 2011, the U. S. Environmental Protection Agency issued new rules which could require process modifications and/or installation of air pollution controls on power boilers at two of our U.S.- based facilities. We are currently reviewing these rules, and challenges to them filed by others in the court system, to understand the effect they may have on our operations if we are required to comply with the rules in their current form. We are also evaluating options that may be available to us, such as reducing or curtailing boiler usage or modifying the types of boilers operated or fuel consumed. The cost of compliance is likely to be significant. Our initial estimates to implement viable options could result in additional capital spending in excess of $30 million, however, the amount ultimately incurred may be less depending on the outcome of challenges to current rules or on our successful implementation of appropriate available options. In addition, the timing of any additional capital spending is uncertain. Enactment of new environmental laws or regulations or changes in existing laws or regulations could significantly change our estimates. For a discussion of other environmental matters, see Item 8 Financial Statements and Supplementary Data Note 22.

Employees As of December 31, 2011, we employed 4,274 people worldwide, of which approximately 70% are unionized. The United Steelworkers International Union and the Office and Professional Employees International Union represents the 1,600 hourly employees at our Chillicothe, OH and Spring Grove, PA facilities under labor contracts expiring in August 2012 and January 2014, respectively. Hourly employees at each of our international locations are represented by various unions or works councils. We consider the overall relationship with our employees to be satisfactory.

Other Available Information Our website includes a Corporate Governance page consisting of, among others, our Governance Principles and Code of Business Conduct, and biographies of our Board of Directors and Executive Officers. In addition, the website includes the charters for the Audit, Compensation, Finance and Nominating and Corporate Governance Committees of the Board of Directors. The Corporate Governance page also includes the Code of Business Ethics for the CEO and Senior Financial Officers of Glatfelter, our whistle-blower policy and other related material. We satisfy the disclosure requirement for any future amendments to, or waivers from, our Code of Business Conduct or Code of Business Ethics for the CEO and Senior Financial Officers by posting such information on our website. We will provide a copy of the Code of Business Conduct or Code of Business Ethics for the CEO and Senior Financial Officers, without charge, to any person who requests one, by contacting Investor Relations at (717) 225-2724, ir@glatfelter.com or by mail to 96 South George Street, Suite 520, York, PA, 17401.

ITEM 1A RISK FACTORS

Our business and financial performance may be adversely affected by the global economic environment or downturns in the target markets that we serve.

Adverse global economic conditions could impact our target markets resulting in decreased demand for our products. Our results could be adversely affected if economic conditions weaken or fail to improve. Also, there may be periods during which demand for our products is insufficient to enable us to operate our production facilities in an economical manner. The economic impact may cause customer insolvencies which may result in their inability to satisfy their financial obligations to us. These conditions are beyond our ability to control and may have a significant impact on our sales and results of operations.

The markets for our products are also significantly affected by changes in industry capacity and output levels.

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There have been periods of supply/demand imbalance in our industry which have caused pulp prices and our products selling prices to be volatile. The timing and magnitude of price increases or decreases in these markets have generally varied by region and by product type. A sustained period of weak demand or excess supply would likely adversely affect pulp prices and our products selling prices. This could have a material adverse affect on our operating and financial results.

The cost of raw materials and energy used to manufacture our products could increase and the availability of certain raw materials could become constrained.

We require access to sufficient and reasonably priced quantities of pulpwood, purchased pulps, pulp substitutes, abaca fiber, synthetic fibers and certain other raw materials. Our Spring Grove and Chillicothe locations are vertically integrated manufacturing facilities that generate approximately 85% of their annual pulp requirements.

Our Philippine mill purchases abaca fiber to produce abaca pulp, which we use to manufacture our paper for single-serve coffee, tea and technical specialty products at our Gernsbach, Scaër and Lydney facilities. At certain times in the past, the supply of abaca fiber has been constrained due to factors such as weather related damage to the source crop as well as selection by land owners of alternative uses of land in lieu of fiber producing activities.

Our Advanced Airlaid Materials business unit requires access to sufficient quantities of fluff pulp, the supply of which is subject to availability of certain softwoods. Softwood availability can be limited by many factors, including weather in regions where softwoods are abundant.

The cost of many of our production materials, including petroleum based chemicals, and freight charges, are influenced by the cost of oil. In addition, coal is a principal source of fuel for both the Spring Grove and Chillicothe facilities and natural gas is used as a source of fuel for our Chillicothe facility, and the Composite Fibers and Advanced Airlaid Materials business units facilities. In addition, our vendors liquidity may be impacted by the economy creating supply shortages.

Although we have contractual cost pass-through arrangements with certain customers, we may not be able to fully pass increased raw materials or energy costs on to all customers if the market will not bear the higher price or where existing agreements with our customers limit price increases. If price adjustments significantly trail increases in

raw materials or energy prices our operating results could be adversely affected.

Our industry is highly competitive and increased competition could reduce our sales and profitability.

In the past, global industries in which we compete have been adversely affected by capacity exceeding the demand for products and by declining uncoated free sheet demand. As a result, steps have been taken to reduce underperforming capacity. However, slowing demand or increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross margins and net income. The greater financial resources of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Certain competitors may also have the ability to develop product or service innovations that could put us at a competitive disadvantage.

Some of the factors that may adversely affect our ability to compete in the markets in which we participate include:

- the entry of new competitors into the markets we serve, including foreign producers;
- the willingness of commodity-based producers to enter our markets when they are unable to compete or when demand softens in their traditional markets;
- the aggressiveness of our competitors pricing strategies, which could force us to decrease prices in order to maintain market share;

- our failure to anticipate and respond to changing customer preferences;
- the impact of electronic-based substitutes for certain of our products such as carbonless and forms, book publishing, and envelope;
- the impact of replacement or disruptive technologies;
- changes in end-user preferences;
- our inability to develop new, improved or enhanced products; and
- our inability to maintain the cost efficiency of our facilities.

If we cannot effectively compete in the markets in which we operate, our sales and operating results would be adversely affected.

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We may not be able to develop new products acceptable to our customers.

Our business strategy is market focused and includes investments in developing new products to meet the changing needs of our customers and to maintain our market share. Our success will depend, in part on our ability to develop and introduce new and enhanced products that keep pace with introductions by our competitors and changing customer preferences. If we fail to anticipate or respond adequately to these factors, we may lose opportunities for business with both current and potential customers. The success of our new product offerings will depend on several factors, including our ability to:

- anticipate and properly identify our customers needs and industry trends;
- price our products competitively;
- develop and commercialize new products and applications in a timely manner;
- differentiate our products from our competitors products; and
- invest efficiently in research and development activities.

Our inability to develop new products could adversely impact our business and ultimately harm our profitability.

We are subject to substantial costs and potential liability for environmental matters.

We are subject to various environmental laws and regulations that govern our operations, including discharges into the environment, and the handling and disposal of hazardous substances and wastes. We are also subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. The Clean Air Act, and similar regulations, could impose significant compliance costs or require significant capital expenditures. To comply with environmental laws and regulations, we have incurred, and will continue to incur, substantial capital and operating expenditures. We anticipate that environmental regulation of our operations will continue to become more burdensome and that capital and operating expenditures necessary to comply with environmental regulations will continue, and perhaps increase, in the future. Because environmental regulations are not consistent worldwide, our ability to compete globally may be adversely affected by capital and operating expenditures required for

environmental compliance. In addition, we may incur obligations to remove or mitigate any adverse effects on the environment, such as air and water quality, resulting from mills we operate or have operated. Potential obligations include compensation for the restoration of natural resources, personal injury and property damages.

Despite favorable rulings in the pending Fox River litigation, we continue to have exposure to liability for remediation and other costs related to the presence of polychlorinated biphenyls in the lower Fox River on which our former Neenah, Wisconsin mill was located. There can be no assurance that we will not be required to ultimately pay material amounts to resolve our liability in the Fox River matter. We have financial reserves for environmental matters, including the Fox River site, but we cannot be certain that those reserves will be adequate to provide for future obligations related to these matters, that our share of costs and/or damages for these matters will not exceed our available resources, or that such obligations will not have a long-term, material adverse effect on our consolidated financial position, liquidity or results of operations.

Our environmental issues are complex and should be reviewed in context; please see a more detailed discussion of these matters in Item 8 Financial Statements and Supplementary Data Note 22.

The Advanced Airlaid Materials business unit generates a substantial portion of its revenue from one customer serving the feminine hygiene and home care product markets, the loss of which could have a material adverse effect on our results of operations.

Advanced Airlaid Materials generates the majority of its net sales of feminine hygiene and home care products from one customer. The loss of this significant customer could have a material adverse effect on their operating results. In addition, sales in the feminine hygiene market accounted for 82% of Advanced Airlaid Materials net sales in 2011 and sales are concentrated within a small group of large customers. A decline in sales of feminine hygiene products could have a material adverse effect on this unit s operating results. Customers in the airlaid non-woven fabric material market, including the feminine hygiene market, may also switch to less expensive products, change preferences or otherwise reduce demand for Advanced Airlaid Material s products, thus reducing the size of the markets in which it currently sells its products. Any of the foregoing could have a material adverse effect on our financial performance and business prospects.

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Our operations may be impaired and we may be exposed to potential losses and liability as a result of natural disasters, acts of terrorism or sabotage or similar events.

Natural disasters, such as earthquakes, flooding or fire, and acts of terrorism or sabotage affecting our operating activities and major facilities could materially and adversely affect our operations, our operating results and financial condition. In particular, we own and operate four dams in York County, Pennsylvania, that were built to ensure a steady supply of water for the operation of our paper mill in Spring Grove which is a primary manufacturing location for our envelope papers and engineered products. Each of these dams is classified as high hazard by the Commonwealth of Pennsylvania because they are located in close proximity to inhabited areas and sudden failure would endanger occupants or residential, commercial or industrial structures. Failure or breach of any of the dams, including as a result of natural disaster or act of terrorism or sabotage, could cause significant personal injuries and damage to residential and commercial property downstream for which we may be liable. The failure of a dam could also be extremely disruptive and result in damage to or the shutdown of our Spring Grove mill. Any losses or liabilities incurred due to the failure of one of our dams may not be fully covered by our insurance policies or may substantially exceed the limits of our policies, and could materially and adversely affect our operating results and financial condition.

In addition, many of our papermaking operations require a reliable and abundant supply of water. Such mills rely on a local water body or water source for their water needs and, therefore, are particularly impacted by drought conditions or other natural or manmade interruptions to its water supplies. At various times and for differing periods, each of our mills has had to modify operations due to water shortages or low flow conditions in its principal water supplies. Any interruption or curtailment of operations at any of our paper mills due to drought or low flow conditions at the principal water source or another cause could materially and adversely affect our operating results and financial condition.

Our pulp mill in Lanao del Norte on the Island of Mindanao in the Republic of the Philippines is located along the Pacific Rim in the world s hazard belt. By virtue of its geographic location, this mill is subject to, among other types of natural disasters, floods, droughts, cyclones, typhoons, earthquakes, windstorms and volcanic activity. Moreover, the area of Lanao del Norte has been a target of terrorist activities, including bombings, by suspected

members of the al-Qaeda-linked Islamist groups in the Philippines, such as the Abu Sayyaf and the Rajah Solaiman Group and other Islamic militant groups, most notably the Moro Islamic Liberation Front. The most common bomb targets in Lanao del Norte to date have been power transmission towers. Our pulp mill in Mindanao is located in a rural portion of the island and is susceptible to attacks or power interruptions. The Mindanao mill supplies approximately 80% of the abaca pulp that is used by our Composite Fibers business unit to manufacture our paper for single serve coffee and tea products and certain technical specialties. Any interruption, loss or extended curtailment of operations at our Mindanao mill could materially affect our operating results and financial condition.

We have operations in a potentially politically and economically unstable location.

Our pulp mill in the Philippines is located in a region that is unstable and subject to political unrest. As discussed above, our Philippine pulp mill produces abaca pulp, a significant raw material used by our Composite Fibers business unit, and is currently our main provider of abaca pulp. There are limited suitable alternative sources of readily available abaca pulp in the world. In the event of a disruption in supply from our Philippine mill, there is no guarantee that we could obtain adequate amounts of abaca pulp from alternative sources at a reasonable price or at all. As a consequence, any civil disturbance, unrest, political instability or other event that causes a disruption in supply could limit the availability of abaca pulp and would increase our cost of obtaining abaca pulp. Such occurrences could adversely impact our sales volumes, revenues and operating results.

Our international operations pose certain risks that may adversely impact sales and earnings.

We have significant operations and assets located in Canada, Germany, France, the United Kingdom, and the Philippines. Our international sales and operations are subject to a number of special risks, in addition to the risks in our domestic sales and operations, including differing protections of intellectual property, trade barriers, labor unrest, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, domestic and foreign customs and tariffs, differing regulatory environments, difficulty in managing widespread operations and political instability. These factors may adversely affect our future

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profits. Also, in some foreign jurisdictions, we may be subject to laws limiting the right and ability of entities organized or operating therein to pay dividends or remit earnings to affiliated companies unless specified conditions are met. Any such limitations would restrict our flexibility in using funds generated in those jurisdictions.

Foreign currency exchange rate fluctuations could adversely affect our results of operations.

As we diversify our business and expand our global footprint, an increasing proportion of our revenue is generated outside of the United States. We also own and operate manufacturing facilities in Canada, Germany, France, the United Kingdom and the Philippines. Currently, the majority of our business is transacted in U.S. dollars; however, an increasing portion of business is transacted in Euros, British Pound Sterling, Canadian dollars or Philippine Peso. With respect to the Euro, we generate substantially greater cash inflow in this currency than we do outflow. However, with respect to the British Pound Sterling, Canadian dollar, and Philippine Peso, we have greater outflows than inflows of these currencies. As a result of these positions, we are exposed to changes in currency exchange rates. Uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations and actions proposed to restructure such obligations may cause the value of the euro to fluctuate further. In the event that one or more European countries were to replace the euro with another currency, business may be adversely affected until stable exchange rates are established.

Our ability to maintain our products price competitiveness is reliant, in part, on the relative strength of the currency in which the product is denominated compared to the currency of the market into which it is sold and the functional currency of our competitors. Changes in the rate of exchange of foreign currencies in relation to the U.S. dollar, and other currencies, may adversely impact our results of operations and our ability to offer products in certain markets at acceptable prices.

An IRS audit of our 2009 tax return could result in a change in the tax treatment of the alternative fuel mixture credits we claimed in 2009, which could have a material adverse effect on our results of operations and financial position.

The U.S. Internal Revenue Code, or the Code, provided a tax credit for companies that used alternative

fuel mixtures to produce energy to operate their businesses on or prior to December 31, 2009. During 2009, we registered two of our facilities with the IRS as alternative fuel mixers based on their use of black liquor as an alternative fuel source. For the year ended December 31, 2009, we had substantial alternative fuel mixture credits relating to these facilities. Our results of operations in 2009 included, on a pre-tax basis, $107.8 million of alternative fuel mixture credits all of which has been used or realized in cash. In the event that the IRS audits our tax return for the year ended December 31, 2009, the IRS may conclude that some or all of the credits claimed are subject to federal income taxes, which would subject us to additional tax liabilities and could have a material adverse effect on our results of operations and financial position.

In the event any of the above risk factors impact our business in a material way or in combination during the same period, we may be unable to generate sufficient cash flow to simultaneously fund our operations, finance capital expenditures, satisfy obligations and make dividend payments on our common stock.

In addition to debt service obligations, our business is capital intensive and requires significant expenditures to support growth strategies, research and development initiatives, environmental compliance, and for normal upgrades or replacements. We expect to meet all of our near and long-term cash needs from a combination of operating cash flow, cash and cash equivalents, our existing credit facility and other long-term debt. If we are unable to generate sufficient cash flow from these sources, we could be unable to meet our near and long-term cash needs or make dividend payments.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

We own substantially all of the land and buildings comprising our manufacturing facilities located in Pennsylvania; Ohio; Canada; the United Kingdom; Germany; France; and the Philippines. Substantially all of the equipment used in our manufacturing and related operations is also owned. Our metallized paper production facility located in Caerphilly, Wales leases the building and land associated with its operations. We also lease office and warehouse space in Moscow, Russia, as well as our corporate offices located in York, Pennsylvania. All of our

properties, other than those that are leased, are free from any material liens or encumbrances. We consider all of our buildings to be in good structural condition and well maintained and our properties to be suitable and adequate for present operations.

ITEM 3 LEGAL PROCEEDINGS

We are involved in various lawsuits that we consider to be ordinary and incidental to our business. The ultimate outcome of these lawsuits cannot be predicted with certainty; however, we do not expect such lawsuits, individually or in the aggregate, will have a material adverse effect on our consolidated financial position, liquidity or results of operations.

For a discussion of commitments, legal proceedings and related contingencies, see Item 8 Financial Statements and Supplementary Data Note 22.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to our executive officers and senior management as of March 9, 2012.

Name	Age	Office with the Company
Dante C. Parrini	47	Chairman and Chief Executive Officer
John P. Jacunski	46	Senior Vice President and Chief Financial Officer
Christopher W. Astley	39	Vice President, Corporate Strategy
Jonathan A. Bourget	47	Vice President & General Manager, Advanced Airlaid Materials Business Unit
David C. Elder	43	Vice President, Finance
Michael L. Korniczky	46	Vice President, General Counsel and Corporate Secretary
Debabrata Mukherjee	42	Vice President & General Manager, Specialty Papers Business Unit
Martin Rapp	52	Vice President & General Manager, Composite Fibers Business Unit
Mark A. Sullivan	57	Vice President Global Supply Chain
William T. Yanavitch II	51	Vice President Human Resources and Administration

Officers are elected to serve at the pleasure of the Board of Directors. Except in the case of officers elected to fill a new position or a vacancy occurring at some other date, officers are generally elected at the organizational meeting of the Board of Directors held immediately after the annual meeting of shareholders.

Dante C. Parrini became Chief Executive Officer effective January 1, 2011 and Chairman of the Board in May 2011. Prior to this appointment, he was Executive Vice President and Chief Operating Officer, a position he

held since February 2005. Mr. Parrini joined us in 1997 and has previously served as Senior Vice President and General Manager, a position he held beginning in January 2003 and prior to that as Vice President responsible for Sales and Marketing.

John P. Jacunski became Senior Vice President and Chief Financial Officer in July 2006. From October 2003 until July 2006, he was Vice President and Corporate Controller. Mr. Jacunski was previously Vice President and Chief Financial Officer at WCI Steel, Inc. from June 1999 to October 2003. Prior to joining WCI, Mr. Jacunski was with KPMG, an international accounting and consulting firm, where he served in various capacities.

Christopher W. Astley joined us in August 2010 as Vice President Corporate Strategy. He has over fifteen years experience as an advisor and practitioner leading critical strategic and tactical corporate initiatives for natural resource companies, with a focus since 1999 on the pulp, paper, and packaging industries. Mr. Astley previously held positions with Accenture, a global management consulting firm, and The Coca-Cola Company, as well as successfully leading a privately held business for several years.

Jonathan A. Bourget joined us in July 2010 as Vice President & General Manager, Advanced Airlaid Materials Business Unit. From 2008 until joining our Company, Mr. Bourget was Vice President & General Manager of European operations at Polymer Group Inc. Prior to this, he held various positions of increasing responsibility, including General Manager Specialties Division in Europe, with Alcoa Inc.

David C. Elder was promoted to Vice President, Finance in December 2011 and continues as our Chief Accounting Officer. Prior to his promotion, he was our Vice President, Corporate Controller, a position held since joining Glatfelter in January 2006. Mr. Elder was previously

Corporate Controller for YORK International Corporation and prior to that he was the Director, Financial Planning and Analysis for that company.

Michael L. Korniczky joined us in January 2012 as Vice President, General Counsel and Corporate Secretary. Prior to joining us, Mr. Korniczky was Chief Administrative Officer, General Counsel and Secretary for Graham Packaging Company Inc. since March 2007 and was previously Assistant General Counsel at Crown Holdings, Inc. from 1998 to 2007.

Debabrata Mukherjee was appointed Vice President & General Manager, Specialty Papers Business Unit in April 2008. Dr. Mukherjee joined our Company in 1998 and since then has held various operational, sales

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and technical leadership positions within the Specialty Papers Business Unit. From March 2006 through March 2008, Dr. Mukherjee served as Division Vice President, Engineered & Converting Products. From February 2004 through February 2006, Dr. Mukherjee served as Director, Engineered Products. Prior to joining Glatfelter, Dr. Mukherjee served in various capacities with Felix Schoeller, a German based global specialty paper manufacturer.

Martin Rapp joined Glatfelter in August 2006 and serves as Vice President and General Manager Composite Fibers Business Unit. Prior to this, Mr. Rapp was Vice President and General Manager of Avery Dennison s Roll Materials Business in Central and Eastern Europe since August 2002.

Mark A. Sullivan was appointed Vice President, Global Supply Chain in February 2005. Mr. Sullivan joined our company in December 2003 as Chief Procurement Officer. His experience includes a broad array of operations and supply chain management responsibilities during twenty years with the DuPont Company.

William T. Yanavitch II was appointed Vice President, Human Resources and Administration in May 2005. Mr. Yanavitch briefly worked with Constellation Energy in Human Resources from February 2005 May 2005. He served as our Vice President Human Resources from July 2000 until January 2005. Prior to joining us he worked for Dentsply International and Gould Pumps Inc. in various leadership capacities.

ITEM 4 MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5 MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Prices and Dividends Declared Information

The following table shows the high and low prices of our common stock traded on the New York Stock Exchange

under the symbol GLT and the dividend declared per share for each quarter during the past two years.

Quarter	High	Low	Dividend
2011			
Fourth	**$15.79**	**$12.46**	**$0.09**
Third	**16.03**	**11.73**	**0.09**
Second	**15.51**	**12.65**	**0.09**
First	**13.40**	**11.00**	**0.09**
2010			
Fourth	$13.37	$11.62	$0.09
Third	12.65	10.08	0.09
Second	15.49	10.62	0.09
First	15.05	12.32	0.09

As of March 7, 2012, we had 1,367 shareholders of record.

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative 5-year total return of our common stock with the cumulative total returns of both a peer group and a broad market index. For the year ended December 31, 2011, we compare our stock performance to the S&P Small Cap 600 Paper Products index comprised of Buckeye Technologies Inc., Clearwater Paper Corp., Kapstone Paper & Packaging Corp., Neenah Paper Inc., Schweitzer-Mauduit International and Wausau Paper Corp. In addition, the chart includes a comparison to the Russell 2000, which we believe is an appropriate benchmark index for stocks such as ours.

The graph assumes that the value of the investment in our common stock, in each index, and the peer group (including reinvestment of dividends) was $100 on December 31, 2006 and charts it through December 31, 2011.

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ITEM 6 SELECTED FINANCIAL DATA

As of or for the year ended December 31

Dollars in thousands, except per share	**2011**	2010 [2]	2009 [4]	2008	2007
Net sales	**$ 1,603,154**	$ 1,455,331	$ 1,184,010	$ 1,263,850	$ 1,148,323
Energy and related sales, net	**9,344**	10,653	13,332	9,364	9,445
Total revenue	**1,612,498**	1,465,984	1,197,342	1,273,214	1,157,768
Reversal of (charges for) shutdown and restructuring				856	(35)
Gains on dispositions of plant, equipment and timberlands, net	**3,950**	453	898	18,468	78,685
Net income	**$ 42,694**[1]	$ 54,434[3]	$ 123,442	$ 57,888	$ 63,472[5]
Earnings per share					
Basic	**$ 0.94**	$ 1.19	$ 2.70	$ 1.28	$ 1.41
Diluted	**0.93**	1.17	2.70	1.27	1.40
Total assets	**1,136,925**	$ 1,341,747	$ 1,190,294	$ 1,057,309	$ 1,287,067
Total debt	**227,000**	333,022	254,583	313,285	313,185
Shareholders equity	**490,404**	552,442	510,704	342,707	476,068
Cash dividends declared per common share	**0.36**	0.36	0.36	0.36	0.36
Depreciation, depletion and amortization	**69,313**	65,839	61,256	60,611	56,001
Capital expenditures	**64,491**	36,491	26,257	52,469	28,960
Shares outstanding	**42,650**	45,976	45,706	45,434	45,141
Net tons sold	**960,915**	927,853	818,905	829,354	799,512
Number of employees	**4,274**	4,337	3,546	3,633	3,854

(1) During 2011, we recorded after-tax charges totaling $6.1 million related to the write-off of unamortized deferred issuance costs and original issue discount and the redemption premium in connection with the early redemption of $100.0 million of bonds.

(2) The information set forth above for 2010 includes the financial information for Concert Industries Corp. prospectively from the February 12, 2010 acquisition date.

(3) During 2010, net income included a $23.2 million tax benefit from cellulosic biofuel production credits.

(4) During 2009, we recognized $107.8 million of alternative fuel mixture credits, all of which were recorded as a reduction to cost of products sold.

(5) During 2007, we recorded a $16.0 million after-tax charge to increase our reserve for the Fox River environmental matter.

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ITEM 7 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements This Annual Report on Form 10-K includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding industry prospects and future consolidated financial position or results of operations, made in this Report on Form 10-K are forward looking. We use words such as anticipates , believes , expects , future , intends and similar expressions to identify forward-looking statements. Forward-looking